300

Natural Resources and Environment

Budget function 300 encompasses programs administered by the Department of the Interior, the Forest Service, and the Army Corps of Engineers, including programs that deal with land and water management, resource conservation, recreation, wildlife management, and mineral development. This function also includes funding for the National Oceanic and Atmospheric Administration, which oversees ocean and fisheries programs, and the Environmental Protection Agency, which administers the Superfund program, makes grants to states, and issues and enforces environmental regulations.

Discretionary funding for function 300 totals more than $31 billion in 2005. Appropriations for programs in this function rose by 18 percent in 2001 but have since risen by an average of less than 2 percent per year. Most of the 2001 increase financed fire management on wild lands and new conservation initiatives, such as land acquisition, facilities maintenance, and grants to states and landowners. Mandatory spending in this function—for farm conservation, forest restoration, and recreation programs—is mostly offset by receipts from the sale of minerals, timber, and land; recreation fees; and other user charges. Those offsetting receipts totaled about $4.7 billion in 2004.

Federal Spending, Fiscal Years 2000 to 2005 (Billions of dollars)

						Estimate	Average Annual Rate of Growth (Percent)	
	2000	2001	2002	2003	2004	2005	2000-2004	2004-2005
Budget Authority (Discretionary)	24.6	29.1	29.6	30.1	31.1	31.3	6.0	0.6
Outlays								
Discretionary	25.0	26.0	28.6	30.3	30.6	31.4	5.2	2.7
Mandatory	*	-0.3	0.8	-0.6	0.1	0.4	n.a.	n.a.
Total	25.0	25.6	29.5	29.7	30.7	31.9	5.3	3.7

Note: * = between zero and $50 million; n.a. = not applicable (because some years have negative values).

300-01

Increase Fees for Permits Issued by the Army Corps of Engineers

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+12	+23	+24	+25	+26	+110	+255

Note: This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing the fee.

The Army Corps of Engineers administers laws that pertain to the regulation of the nation's navigable waters. Section 10 of the Rivers and Harbors Act of 1890 requires the Corps to issue permits for work that would affect navigable waters or materials around those waters. In addition, section 404 of the Clean Water Act of 1977 requires the Corps to issue permits for dredging or placing fill material in navigable waters. In 2002, the Corps received about 85,000 permit applications. Currently, companies applying for commercial permits pay a fee of $100, and people applying for private permits pay $10. (Government applicants are not charged a fee.) That fee structure, which has not changed since 1977, falls far short of covering the costs of administering the program, particularly for applications that require detailed review.

This option would raise the fee for commercial permits issued under sections 10 and 404 by an amount sufficient to recover the costs associated with awarding those permits, perhaps more than doubling the fee. (The fee for private permits would not change.) That increase would generate $12 million in additional receipts in 2006 and $110 million over the 2006-2010 period. As a result, the Corps could fully recover its annual regulatory costs for those permits rather than recovering only about 5 percent of those costs, as it does now.

Section 404 has become the core of the nation's effort to protect wetlands. As legally interpreted, it applies to waters that would not conventionally seem "navigable," such as wetlands adjacent to navigable waters and possibly wetlands adjacent to nonnavigable tributaries of traditionally navigable waters. As a result, the Corps has regulatory jurisdiction over a large number of wetlands. (In the wake of a 2001 Supreme Court ruling, the extent of that jurisdiction will ultimately be determined by federal agencies' interpretations of terms such as "adjacent" and "tributary" that withstand the scrutiny of the courts.) Moreover, as legally interpreted, "dredging" and "placing fill material" encompass virtually any activity in which dirt is moved, which means that a wide variety of actions require permits.

Under section 404, the Corps must evaluate each application and grant or deny a permit on the basis of expert opinion and statutory guidelines. Most applications are quickly approved through existing general or regional permits, which grant authority for many low-impact activities. Evaluation of applications not covered by existing permits may require the Corps to undertake detailed, lengthy, and costly reviews.

The principal rationale for imposing cost-of-service fees on commercial applicants is that the party pursuing a permit, not the taxpaying public, should bear the cost of the permit. According to that argument, taxpayers should not have to pay for something that advances a commercial interest whose benefits accrue to a comparative few.

An argument against higher fees is that permit seekers should not have to pay more for a process that might ultimately deny them the right to use their land as they wish. The goal of the section 404 program, for example, is to advance a public interest by protecting wetlands. Arguably, since the public benefits from wetlands protection (sometimes at the expense of property owners), it should bear the costs. Critics maintain that the regulatory process that property owners must deal with is already onerous, so raising permit fees would further infringe on property owners' rights.

RELATED OPTIONS: 300-02, 300-03, 400-02, 400-08, and 400-09

RELATED CBO PUBLICATION: *Regulatory Takings and Proposals for Change*, December 1998

300-02

Impose Fees on Users of the Inland Waterway System

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+135	+265	+545	+559	+574	+2,078	+5,192

Note: This fee could be classified as a discretionary offsetting collection, a mandatory offsetting receipt, or a tax receipt, depending on the specific language of the legislation establishing the fee.

In 2002, the Army Corps of Engineers spent about $800 million on the nation's system of inland waterways. About 40 percent of that spending was devoted to construction of new navigation channels, locks, and other infrastructure, and about 60 percent was used for the operation and maintenance (O&M) of existing infrastructure. Current law allows up to half of the Corps's new construction on inland waterways to be funded with revenues from the inland waterway fuel tax, a levy on the fuel consumed by the towboats that use most segments of the system.

This option would impose user fees that were high enough to fully recover the Corps's costs for both O&M and construction on inland waterways. Those fees—which could take the form of higher fuel taxes, charges for the use of locks, or fees based on the weight of shipments and the distance they travel—would generate receipts of $135 million in 2006 and about $2.1 billion over five years.

The principal rationale for this option is that it would increase economic efficiency. Imposing user fees based on the actual cost of the inland waterway system would encourage shippers to choose the most efficient routes and modes of transportation (road, rail, air, or water). In addition, more-efficient use of existing waterways could reduce the need for new construction to alleviate congestion. Further, user fees based on costs would send market signals that would help identify which additional construction projects would be likely to provide the greatest net benefits to the public.

The effects of user fees on efficiency would depend largely on whether the fees were set at the same rate for all segments of a waterway or were based on the cost of each segment. Because costs vary dramatically by segment, systemwide fees would offer weaker incentives for the efficient use of resources.

A drawback of this option is that higher user fees might slow economic development in some regions dependent on waterway commerce. The increase could be phased in to lessen those effects, but doing so would reduce receipts in the near term. Imposing higher user fees would also reduce the income of barge operators and shippers in some areas, although those losses would be small in the context of overall regional economies.

RELATED OPTIONS: 300-01, 300-03, 400-02, 400-08, and 400-09

RELATED CBO PUBLICATION: *Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* May 1992

300-03

Impose a New Harbor-Maintenance Fee

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+87	+177	+157	+135	+116	+672	+906

Note: This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing the fee.

The Army Corps of Engineers spends an average of about $625 million annually to operate and maintain commercial harbors nationwide, particularly to keep channels at adequate depths. Under the Water Resources Development Act of 1986, as amended, cargo entering U.S. ports —whether as domestic shipments or imports—is subject to a harbor-maintenance tax of 0.125 percent of its value. That tax, whose revenues are credited to the Harbor Maintenance Trust Fund, is intended to cover all of the Corps's operating and maintenance costs for ports and the St. Lawrence Seaway. The harbor-maintenance tax was initially levied on exports as well, but in 1998, the Supreme Court ruled that application of the tax unconstitutional.

This option would replace what remains of the harbor-maintenance tax with a new system of cost-based harbor fees that would cover all of the Corps's operating and maintenance costs for ports and the St. Lawrence Seaway. Under such a system, commercial users of U.S. ports would pay a fee based on port use rather than on cargo value. The fee would apply to imports, exports, and domestic shipments, and the taxes currently levied on imports and domestic shipments would be rescinded. Those changes would generate net receipts of $87 million in 2006 and $672 million over the 2006-2010 period.

The main argument for a user fee is that the activities it would finance, such as dredging by the Corps of Engineers, provide a commercial service to identifiable beneficiaries. Modern and well-maintained ports save shippers money by allowing the use of larger vessels and by minimizing inland transport costs. Moreover, exporters currently make no payments directly associated with their use of port facilities.

A potential drawback of this option is that designing a cost-based fee could be complicated. The Corps's operating and maintenance costs differ from port to port as well as from one year to the next. Varying the fee between ports to reflect those cost differences, however, could alter how much business particular harbors received—increasing economic efficiency overall but reducing commerce and employment at some locations.

RELATED OPTIONS: 300-01, 300-02, 400-02, 400-08, and 400-09

300-04—Discretionary

Eliminate Federal Funding for Beach-Replenishment Projects

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-94	-98	-100	-103	-105	-500	-1,063
Outlays	-33	-97	-100	-102	-104	-436	-995

The Army Corps of Engineers conducts various operations to counter beach erosion, typically by dredging sand from offshore locations and pumping it on shore to rebuild eroded areas. The Corps supplies part of the funding, and state and local governments pay the rest. Those operations have two primary goals: mitigating damage and enhancing recreation. Replenishment helps beaches act as barriers to waves and protect coastal property from severe weather. It also helps them continue to serve as recreational areas.

This option would end federal funding for beach-replenishment activities. Doing so would reduce discretionary outlays by $33 million in 2006 and $436 million through 2010.

Proponents of halting federal spending for beach replenishment argue that its benefits accrue largely to the states and localities in which the projects occur and that the cost should therefore be borne entirely at the state and local level, not by federal taxpayers. Furthermore, the ultimate effectiveness of replenishment efforts is questionable. Beach erosion is an irreversible natural process, and replenishment projects serve only to temporarily delay the inevitable natural shifting of beaches. One alternative to beach-replenishment projects is to remove the various retention structures that sometimes exacerbate erosion by inhibiting the natural flow of sand along a beach.

Opponents of eliminating federal funding argue that beach replenishment not only benefits specific states and localities but also serves the interests of nonresident beachgoers. Moreover, replenishment projects can help ensure that coastal areas continue to generate economic activity through tourism. Opponents also contend that calling a halt to federal funding would be unfair because municipalities and owners may have invested in beachfront property with the expectation of continuing federal support. Finally, they argue that in some cases federal projects (such as those intended to keep coastal inlets open) contribute to beach erosion, so federal taxpayers should bear part of the cost of replenishment in those areas.

RELATED OPTIONS: 270-06, 400-06, 400-07, 450-01, 450-07, and Revenue Option 30

300-05—Mandatory

Eliminate Subsidies When Renewing Water Service Contracts for Agricultural Users of the Central Valley Project

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+15	+30	+45	+60	+60	+210	+510

For more than a century, the federal government has helped finance and build water infrastructure to support irrigation, municipal and industrial water supplies, hydroelectric power generation, flood control, and recreational opportunities. Under reclamation law, agricultural, municipal, and industrial users of water, as well as users of hydropower produced from federal water projects, must make payments intended to recover some of the government's construction costs. Those payments may be amortized over a 40- or 50-year period. Agricultural users receive more-favorable payment terms than other users do because they are not responsible for interest costs that accrue during that period. In addition, the Bureau of Reclamation, which manages federal water projects, may decrease the repayment obligations of agricultural users on the basis of their ability to pay. (When that happens, the costs are shifted to users of hydropower.) In special circumstances, such as a drought, agricultural users may also be relieved of some or all of their repayment obligations through specific legislation.

A portion of agricultural users' outstanding obligation to the federal government is due to be repaid under "water service contracts," in which two types of charges related to a water project—one for capital costs and one for operation and maintenance costs—are combined into a single fee levied per acre-foot of water delivered. Those types of contracts are renewed on occasion. (Some agricultural water users repay their debt under "repayment contracts," which have different terms and are not renewed.)

Under this option, agricultural users who have water service contracts with the Central Valley Project in California would have to repay their outstanding capital obligation with interest (calculated from 1982 onward) if their contracts were renewed. Further, the Bureau of Reclamation would no longer be able to adjust repayment obligations under those contracts on the basis of users' ability to pay. Those changes would increase federal receipts by $15 million in 2006 and by $210 million over five years. (The estimates shown here do not reflect projections by the Bureau of Reclamation that water use is likely to increase. Such increases would lead to higher receipts in the later years of the projection period.)

The Central Valley Project contracts have already been renegotiated (although not along the lines envisioned in this option), and almost all are expected to go into effect by April 2006. Thus, lawmakers would have to act quickly if they wished to adopt this option.

The principal rationale for this option is that it would promote efficient water use by bringing the wholesale prices charged to some agricultural users in line with those charged to municipal and industrial users, because everyone would have to pay the same interest costs. That situation would also be more equitable than the current arrangement. Further, this option would limit the extent to which hydropower users were compelled to assume some of the repayment obligations of agricultural users on the grounds of the latter's limited ability to pay.

A disadvantage of this option is that restructuring contracts would not necessarily contribute to efficient water use by individual irrigators in agricultural water districts that set their rates on a per-household or per-acre basis. Without per-unit water prices—and devices to measure and account for water use—individual irrigators cannot respond to price signals. In addition, this option would not eliminate all of the water subsidies to agricultural districts simultaneously because it would apply only to Central Valley Project water service contracts coming up for renewal. (Water service contracts associated with other federal projects are also coming up for renewal, and similar treatment could be considered for them.)

RELATED CBO PUBLICATION: *Water Use Conflicts in the West: Implications of Reforming the Bureau of Reclamation's Water Supply Policies*, August 1997

300-06—Discretionary

Eliminate Money-Losing Timber Sales

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-130	-140	-140	-150	-150	-710	-1,550
Outlays	-130	-140	-140	-150	-150	-710	-1,550

The Forest Service manages federal timber sales from national forests. According to annual reports by the agency's Forest Management Program, the Forest Service has spent more in recent years on the timber program than it has collected from companies that harvest the timber. In 2002, for example, when it sold roughly 1.6 billion board feet of public timber, expenses reported for the program exceeded receipts by about $146 million.

This option would eliminate all future timber sales in four regions of the National Forest System—the Southwestern, Intermountain, Pacific Southwest, and Alaska regions—where expenditures were more than twice as high as receipts in 2002. Ending those sales would reduce the Forest Service's net outlays by $130 million in 2006 and $710 million over the 2006-2010 period. The Forest Service does not maintain the necessary data to estimate the annual receipts and expenditures associated with individual timber sales. Thus, it is hard to estimate precisely the budgetary savings from phasing out all timber sales in the National Forest System for which expenditures are likely to exceed receipts. This option focuses on the four regions listed previously to illustrate possible savings.

Arguments in favor of ending timber sales in regions where expenditures exceed receipts are that such sales may lead to excessive depletion of federal timber resources and to the destruction of roadless forests that have recreational value.

An argument against ending the sales is that they may help bring stability to communities dependent on federal timber for logging and related jobs. Timber sales also provide access to forested land—as a result of road construction—for fire protection and recreational uses.

RELATED OPTIONS: 300-07, 300-08, and 300-09

300-07

Reauthorize Holding and Location Fees and Charge Royalties for Hardrock Mining on Federal Lands

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+5	+5	+5	+30	+30	+75	+225

Note: Holding and location fees could be classified as discretionary collections (as they are now) or as mandatory offsetting receipts, depending on the specific language of the legislation reauthorizing them. Royalties would be treated as offsetting receipts.

The General Mining Law of 1872, originally intended to encourage settlement of the American West, governs access to hardrock minerals—such as gold, silver, copper, and uranium—on public lands. Unlike producers of other minerals or of fossil fuels from public lands, miners do not pay royalties to the government on the value of hardrock minerals they extract. Instead, under the mining law, holders of more than 10 mining claims on public lands pay an annual holding fee of $125 per claim. Holders also pay a one-time $30 location fee when recording a claim. (Before September 2004, those fees were $100 and $25, respectively.) Authorization for the federal government to collect the holding and location fees expires in 2008.

The gross value of hardrock mineral production on public lands totals about $600 million a year, according to current estimates (excluding claims for which patent applications are in process). That value has declined greatly in recent years because of patenting activity. In patenting, miners gain full title to public lands by paying a one-time fee of $2.50 or $5.00 per acre.

This option would reauthorize the current holding and location fees. It would also halt new patenting of public lands and impose an 8 percent royalty on all future production of hardrock minerals from those lands. The royalty would apply to net proceeds—defined as revenues from sales minus costs for mining, separation, transportation, and other items. Together, those changes would increase federal receipts by $75 million over five years: $50 million from reauthorization of holding and location fees and $25 million from royalty collections. (If the 8 percent royalty were applied to gross proceeds rather than net proceeds, it would raise more money and be less costly to administer.)

The Congressional Budget Office's estimates assume that the states in which mining takes place would receive 10 percent of the royalty receipts. The estimates also assume that there would be no surge in patenting activity before royalties were imposed; such a surge could boost immediate patenting receipts and diminish future royalties.

Supporters of this option—including many environmental advocates—argue that low holding fees and lack of royalties make mineral production less costly on federal lands than on private lands (where the payment of royalties is the rule). That difference, they contend, encourages overdevelopment of public lands, which may cause severe environmental damage. Changing that situation could promote other uses of those lands, such as recreation or wilderness conservation.

An argument against ending patenting and imposing royalties is that without free access to public resources, miners (especially small-scale miners) would limit their exploration for hardrock minerals in the United States. In addition, royalties could diminish the profitability of many mines, leading to scaled-back operations or closure and adverse economic consequences for mining communities in the West. Because the prices of many minerals are set in world markets, miners would be unable to pass their new royalty costs on to buyers.

RELATED OPTIONS: 300-06, 300-08, 300-09; and Revenue Option 28

RELATED CBO PUBLICATION: *Reforming the Federal Royalty Program for Oil and Gas*, November 2000

300-08

Use State Formulas to Set Grazing Fees for Federal Lands

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	+5	+16	+19	+22	+23	+85	+160

Note: This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing the fee.

The federal government owns and manages more than 670 million acres of public lands, which have many uses, including to provide grazing for privately owned livestock. The Forest Service and the Bureau of Land Management administer grazing on some 145 million acres of public lands, largely in the West. Ranchers are authorized to use that acreage for almost 20 million animal unit months (AUMs)—a standard measure that reflects the amount of forage needed by a cow and calf for a month. As of March 1, cattle owners who graze their animals on federal lands in the West will have to pay the government a fee of $1.79 per AUM, but that fee may not give the public a fair return.

This option would set grazing fees for federal lands in each state in the same way that the state determines such fees on state-owned lands. If the federal government implemented this option over 10 years as existing grazing permits expired, the fee would rise almost sixfold, on average. That increase would boost federal receipts by $5 million in 2006 and by a total of $85 million through 2010. (Under current law, the governments of states and counties in which grazing takes place receive a portion of the federal fees. The estimates shown here are net of additional payments to states and counties, which would total roughly $30 million over the 2006-2010 period. The estimates do not include any additional appropriations for range improvements that could result from the added receipts. However, they do incorporate an assumption about the extent to which an increase in fees might cause ranchers to reduce their use of AUMs.)

The current formula for federal grazing fees was established in the Public Rangelands Improvement Act of 1978. The formula uses a 1966 base value of $1.23 per AUM and adjusts it to account for changes in the market for beef cattle as well as in the markets for feed, fuel, and other production inputs. Over the years, the Congress has considered various proposals to increase grazing fees.

The principal justification for an increase is that the current formula appears to result in fees that are well below market rates and also below the federal costs of administering the grazing program. For example, in 1990, the appraised value of public rangelands in six Western states varied between $5 and $10 per AUM, far above the $1.81 fee charged that year. Likewise, a 1993 study indicated that the Forest Service and the Bureau of Land Management spent $4.60 per AUM to manage rangelands for grazing, although the fee that year was $1.86 per AUM. Critics charge that such low fees subsidize ranching and contribute to overgrazing and deteriorating range conditions.

A rationale for using state formulas to set federal fees is that such an approach rejects the uniform nature of the current formula and instead follows decisions made at the state level. Grazing fees and methods for calculating them vary widely from state to state and sometimes even within a state. States' interest in the revenue received from both state and federal fees would lessen any incentive to manipulate state fees to lower federal fees.

An argument against this option is that state rangelands may be more valuable than federal lands for grazing purposes. Therefore, some formulas that states use to set fees might not reflect those differences in quality and conditions of use if applied to federal lands. In addition, using different procedures to set federal grazing fees in each state would result in higher administrative costs than those incurred under the current uniform federal formula. (The estimates for this option do not take into account possible differences in administrative costs.)

RELATED OPTIONS: 300-06, 300-07, and 300-09

300-09—Mandatory

Open the Coastal Plain of the Arctic National Wildlife Refuge to Leasing

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Receipts	0	0	+2,000	+1	+500	+2,501	+2,575

The Arctic National Wildlife Refuge (ANWR) consists of 19 million acres in northeastern Alaska, 1.5 million of which are coastal plain. That plain appears to have the most promising oil-production potential of any unexplored onshore area in the United States. It is also the least disturbed coastal region in the Arctic and is valued for species conservation and used by indigenous people to support their daily lives.

ANWR was established to conserve fish and wildlife habitats, fulfill international treaty obligations related to wildlife and habitat protection, provide opportunities for indigenous people to continue their traditional lifestyles, and protect water quality. The Alaska National Interest Lands Conservation Act of 1980, which set up the reserve, prohibits industrial activity on ANWR's coastal plain unless specifically authorized by the Congress.

This option would open ANWR's coastal plain to the production of oil and natural gas. (The President's budget for 2006 includes such a proposal.) The federal government would receive proceeds first from auctioning leases for oil and gas development rights and then, once production began, from royalties. If lease sales were held in 2008 and 2010, this option would generate receipts of about $5 billion over the 2006-2010 period, the Congressional Budget Office estimates. As in some legislative proposals, half of those receipts would go to the State of Alaska, leaving net federal receipts of $2.5 billion over the 2006-2010 period. That estimate is based on information from the State of Alaska, the Energy Information Administration, and other sources. It also relies on estimates by the Department of the Interior of the amount of oil that might be produced from ANWR's coastal plain.

Proponents of this option highlight the national security advantages of reducing U.S. dependence on imported oil. They argue that most of ANWR would remain closed to development and that the part of the coastal plain that would be directly affected by oil drilling and production represents less than 1 percent of the entire refuge area. Moreover, they maintain, technological changes have improved the ability of the oil and gas industries to safeguard the environment.

Opponents of this option argue that whatever the still-uncertain gain from oil production in ANWR, extracting a nonrenewable resource for a relatively short time will not provide lasting energy security. In addition, they say, ANWR's coastal plain is a crucial area for the biological productivity of the refuge, and industrial activity there would pose a threat to wildlife and the environment, despite efforts to mitigate its impact. Moreover, such activity could affect international treaty obligations.

RELATED OPTIONS: 300-06, 300-07, and 300-08

300-10—Mandatory

Scale Back the Department of Agriculture's Conservation Security Program

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Outlays							
From prohibiting new enrollments	-58	-183	-314	-406	-461	-1,419	-4,065
From eliminating bonus payments	0	-67	-167	-254	-310	-797	-2,611

The Conservation Security Program (CSP), first authorized in the Farm Security and Rural Investment Act of 2002, gives agricultural producers financial and technical help to promote the conservation and improvement of soil, water, air, energy, and plant and animal life on lands used for production. (By contrast, the Conservation Reserve Program, which is the subject of option 300-11, encourages conservation by taking land out of agricultural production.) Under the CSP, producers enroll in five-year to 15-year contracts in which they agree to undertake various conservation measures in exchange for annual payments. For each acre enrolled in the program, producers receive a base payment equal to a certain percentage of their county's prevailing rental rate for similar land. In addition, they may receive a bonus payment for undertaking further conservation measures. Together, those payments may exceed the cost of implementing the required conservation measures.

Implementation of the CSP has been hampered by uncertainty about how to administer the program's vaguely specified provisions. The Department of Agriculture recently announced a limited CSP focusing on selected watersheds as an attempt to control potential costs and begin enrollment. Various laws in the past few years have limited program spending to $41.4 million in 2004, $202 million in 2005, and $6.0 billion over the 2005-2014 period.

This option would curtail the Conservation Security Program in one of two ways: by prohibiting new enrollments or by allowing additional enrollments but eliminating bonus payments starting in 2006. (The President's 2006 budget contains a similar proposal.) The first change would reduce spending by the department's Commodity Credit Corporation (CCC) by $58 million in 2006 and $1.4 billion over five years. The second change would not affect CCC spending in 2006 but would save $797 million through 2010. (Both approaches assume that the $6.0 billion cap would be reduced by the total amount of the savings.) Neither of those changes would affect the terms of existing contracts. Even with no additional enrollments, contracts begun during 2004 (the first year they were initiated) will cost a total of nearly $900 million over the next 10 years, the Congressional Budget Office estimates.

An argument for scaling back the CSP is that it is one of a number of entitlement programs that provide subsidies to agriculture. Moreover, certain provisions of the program cast doubt on its likely effectiveness. Making payments to producers who have already adopted conservation practices does not add to the nation's conservation efforts. And making payments that exceed producers' costs to adopt and maintain conservation measures can be seen as a wasteful use of federal funds. In addition, the criteria used to determine CSP bonus payments are not readily apparent, which may make the program subject to misunderstanding on the part of participants.

Supporters see the Conservation Security Program as a better way to support agriculture—through a form of "green payment"—than the traditional programs of crop-based subsidies. When fully implemented, the CSP could foster the adoption of more conservation practices to protect the nation's natural and productive resources. Such practices often require significant up-front costs to undertake and can reduce the economic output of land; CSP payments may offset those costs. Further, since CSP base payments are restricted by legislation, unrestricted bonus payments may be useful to encourage participation in the program.

RELATED OPTION: 300-11

300-11—Mandatory

Limit Future Enrollment of Land in the Department of Agriculture's Conservation Reserve Program

(Millions of dollars)	2006	2007	2008	2009	2010	Total 2006-2010	Total 2006-2015
Change in Outlays							
From returning to the 36.4-million-acre limit	-14	-119	-186	-195	-180	-694	-1,460
From prohibiting new enrollments	0	-122	-193	-284	-618	-1,216	-3,825
From prohibiting reenrollments	0	-122	-193	-1,467	-1,661	-3,442	-12,451

The Conservation Reserve Program (CRP) is intended to promote soil conservation, improve water quality, and provide wildlife habitat by removing land from active agricultural production. Landowners offer to sign contracts with the Department of Agriculture to keep land out of production, usually for 10 to 15 years, in exchange for annual rent payments and for cost-sharing assistance in establishing appropriate conservation practices on the enrolled land. Not all contract offers are accepted, however; acceptance is based on an evaluation of the costs and potential environmental benefits of a landowner's plan. The CRP is funded by the Department of Agriculture's Commodity Credit Corporation at about $2.0 billion to $2.5 billion per year.

Currently, some 36 million acres are enrolled in the CRP. Total enrollment is capped at 39.2 million acres under the 2002 Farm Security and Rural Investment Act—up from 36.4 million acres under the 1996 Federal Agriculture Improvement and Reform Act. The Congressional Budget Office estimates that enrollment in the program will reach 39.184 million acres by 2015.

This option would limit the scope of the Conservation Reserve Program in one of three ways. Restricting future enrollment to 36.4 million acres (as under the 1996 farm law) would reduce outlays by $14 million in 2006 and $694 million over the 2006-2010 period. Prohibiting new enrollments beginning in 2006, but allowing current participants to reenroll when their contracts expire, would reduce spending by $1.2 billion through 2010. Prohibiting any new enrollments (including reenrollments) beginning in 2006 would lower spending by $3.4 billion through 2010.

Under the second and third approaches, the amount of land enrolled in the CRP would drop significantly. Current contracts covering about 16 million acres will expire in 2007. Contracts for another 6 million acres are set to expire in 2008. By 2015, acreage in the CRP would total 27.4 million if reenrollment was permitted and 5.2 million if it was not.

Although there is widespread agreement about the need to take at least some environmentally sensitive land out of production, some supporters of scaling back the CRP see the program as expensive and poorly focused. They argue that the CRP's funding could be put to other uses that would provide greater environmental benefits. Other supporters of limiting the program worry that retiring large amounts of cropland in a given area can dampen economic activity (for example, by reducing the demand for seed, fertilizer, and other farm supplies), thus hurting rural communities.

Opponents of scaling back the CRP note that the program helps landowners because its payments are often larger and more certain than profits from continued agricultural production. Conservationists and environmentalists particularly support the Department of Agriculture's plan to accept the most environmentally sensitive land in future enrollments. That plan involves special provisions for enrolling land devoted to the most effective conservation practices, such as the use of filter strips, grass waterways, and riparian buffers. Studies have indicated that those and several other practices yield high returns—in enhanced wildlife habitat, improved water quality, and reduced soil erosion—for every dollar spent on them.

RELATED OPTION: 300-10

300-12—Discretionary

Eliminate the National Park Service's Local Funding for Heritage Area Grants and Statutory Aid

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-26	-26	-27	-27	-28	-134	-280
Outlays	-26	-26	-27	-27	-28	-134	-280

The National Park Service runs two programs, National Heritage Area (NHA) grants and Statutory Aid, that assist local efforts to establish, preserve, or operate areas of natural, historical, cultural, or recreational importance. Locations that have been designated National Heritage Areas by the Congress are eligible for grants under the first program. Under the second, each individual allocation of statutory aid must be given a specific authorization. Sites that receive support from either program are operated or managed not by the National Park Service but by state or local agencies, nonprofit groups, or private partnerships. As of 2004, 24 sites had been designated National Heritage Areas and had received grants, and another 21 sites had received statutory aid. In its budget for 2006, the Administration proposes eliminating funding for the Statutory Aid program and cutting funding for the NHA grant program by about two-thirds.

This option would eliminate funding for both NHA grants and Statutory Aid. Ending those programs would reduce discretionary outlays by $26 million in 2006 and $134 million between 2006 and 2010.

NHA grants are intended to serve as "seed money" to help the organizations that receive them become self-sustaining by setting up partnerships with state and local governments, nonprofit groups, and businesses to fund ongoing operations. Those grants are limited to no more than $1 million annually for up to 15 years (with a total cap of $10 million) for areas designated since 1996. Heritage areas may receive other federal funding as well (primarily from the Department of Transportation for road and infrastructure improvements). By statute, half of their funding must come from nonfederal sources. The Statutory Aid program provides financial assistance on an as-needed basis to local establishment, preservation, and operation efforts. Both programs are intended to allow the National Park Service to extend its mission of preserving nationally significant natural and historical resources without acquiring and managing those resources itself.

The Government Accountability Office (GAO) has criticized the National Park Service for its administration of the NHA grant program. According to GAO, the Park Service lacks systematic processes for identifying potentially qualified NHA sites and recommending them to the Congress for approval; it has not established "results-oriented performance goals and measures" in its oversight of heritage areas; and it has failed to track federal funding or determine the appropriateness of expenditures for the program. (However, the Park Service maintains that it has not been funded to carry out those latter tasks.) GAO also contends that the "sunset" provisions (dates for grant aid to end) included in the NHA program have been ineffective. Since the first area was designated in 1984, five areas have reached their original sunset dates. However, all have had those dates extended by the Congress and have continued to receive funding under the originally enacted authorization levels.

One argument for eliminating the NHA grant program is that the local groups receiving grants have failed to become self-sufficient, as evidenced by the continued funding of heritage areas past their sunset dates. Moreover, the efforts funded by that program and the Statutory Aid program are—in the words of the Park Service itself—"secondary to the primary mission of the National Park Service."

An argument against eliminating the programs is that public interest in creating new heritage areas is growing. GAO notes that the number of bills introduced in the Congress to study or designate new heritage areas has risen considerably in recent years. At least 30 such bills were submitted in the previous Congress. In addition, both programs are said to protect important resources.

300-13—Discretionary

Eliminate Federal Grants for Wastewater and Drinking Water Infrastructure

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-950	-1,447	-2,456	-2,501	-2,545	-9,899	-23,332
Outlays	-47	-215	-625	-1,212	-1,816	-3,915	-16,005

Two major laws administered by the Environmental Protection Agency (EPA)—the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA)—seek to protect the quality of the nation's waters and the safety of its drinking water supply by requiring municipal wastewater and drinking water systems to meet certain performance standards. Both laws provide for grants to capitalize state-level revolving funds. States use the revolving funds to offer various forms of assistance (such as market-rate and subsidized loans, loan or bond guarantees, and bond purchases) to communities to help them build or replace systems to meet the federal standards. For 2005, EPA received total appropriations of about $2.3 billion for water infrastructure grants, including $1.1 billion for the clean water funds, $0.8 billion for the drinking water funds, and $0.4 billion for targeted grants to specific wastewater systems.

This option would phase out all of EPA's grant funding for wastewater and drinking water facilities over a transition period of three years. Doing that would reduce federal outlays by $47 million in 2006 and $3.9 billion through 2010.

Amendments to the CWA in 1987 phased out the previous program of direct grants for construction of wastewater treatment facilities and replaced it with the program of state revolving funds (known as SRFs). Under that program, states contribute matching funds of 20 cents per federal dollar and operate their SRFs within broad limits, defining eligible projects (which may focus not only on treatment facilities but also on sewer pipes, control of urban and agricultural runoff, and other water-quality efforts), choosing the terms of the assistance, and setting priorities. In 2003, 67 percent of the loans made by SRFs—representing 20 percent of the total funding—went to communities with populations under 10,000. Authorization for the SRF program under the Clean Water Act has expired, but the Congress continues to provide annual appropriations for grants, distributing them according to the state shares specified in the 1987 amendments.

Amendments to the SDWA in 1996 authorized EPA to make grants to capitalize state revolving loan funds for drinking water systems. Although generally modeled on the CWA's wastewater program, the drinking water program allocates federal funding according to a formula based on needs identified in a quadrennial EPA survey. In turn, states are required to establish a priority-setting system that focuses on the most serious health risks, compliance with SDWA quality standards, and financial need.

One justification for eliminating federal grants to water-related SRFs is that such grants may encourage inefficient decisions about water infrastructure by allowing states to lend money at below-market interest rates, which in turn could reduce incentives for local governments to find less costly ways to control water pollution and provide safe drinking water. Another rationale is that federal contributions to wastewater SRFs were originally viewed as a temporary step on the way to full state and local financing. Moreover, those contributions may not be increasing total investment in water systems if they are merely replacing funding that state and local sources would have provided otherwise. In addition, assessments of the grant programs by the Office of Management and Budget concluded that the programs' effectiveness had not been demonstrated.

Opponents of such cuts argue that the need for investments to replace aging infrastructure, reduce health threats in drinking water (such as from cryptosporidium), and protect the nation's waters (from sewer overflows, for example) is so large that federal aid should be increased, not reduced. Without external assistance, they say, water systems in many small or economically disadvantaged communities will be unable to maintain the quality of

their service and comply with the CWA's and SDWA's new and forthcoming requirements. States, they contend, cannot supply all of the necessary funding. Opponents also argue that eliminating the federal grants would force even many large systems—which tend to have lower costs because of economies of scale—to charge rates that would pose significant hardships for low- and moderate-income households.

RELATED OPTION: 450-02

RELATED CBO PUBLICATIONS: *Future Investment in Drinking Water and Wastewater Infrastructure*, November 2002; and *The Economic Effects of Federal Spending on Infrastructure and Other Investments*, June 1998

300-14—Discretionary

Eliminate the Environmental Protection Agency's Energy Star Program

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-75	-76	-78	-80	-82	-391	-835
Outlays	-63	-75	-78	-80	-82	-378	-819

Energy Star is a product-labeling and certification program run by the Environmental Protection Agency (EPA). Its goal is to help consumers and organizations save energy and reduce emissions of greenhouse gases by choosing products or management practices that are energy efficient or that rely on clean forms of energy. EPA allows businesses, institutions, and local governments that meet certain guidelines for energy efficiency in their products or management practices to use the Energy Star label in their marketing. The types of products that EPA has certified include lighting fixtures, home appliances, office equipment, home construction materials, and new houses. EPA also disseminates information on sellers of labeled products and offers program participants some technical assistance in implementing changes that increase energy efficiency. Energy Star is one of several climate-protection partnerships in which EPA works to disseminate information on energy-efficient technologies and clean forms of energy.

This option would cease to make appropriations for the Energy Star program. Ending such appropriations would save $63 million in outlays in 2006 and $378 million over the 2006-2010 period.

Advocates of eliminating the program question whether it yields any actual energy savings and, if so, whether those savings reduce greenhouse-gas emissions. Putting an Energy Star label on products that already meet federal efficiency standards for appliances and buildings may produce few gains, especially since the labels provide little information that would help inform consumers' choices. In particular, they do not clarify the potential savings of a product relative to competing products. Furthermore, encouraging consumers to buy an electric appliance with an Energy Star label rather than a less-efficient gas appliance could actually increase greenhouse-gas emissions because coal-fired electricity-generating plants produce a large amount of carbon dioxide (a greenhouse gas).

Opponents of eliminating the Energy Star program argue that the energy savings and related reductions in greenhouse-gas emissions that it produces can be significant. They also maintain that EPA is addressing existing failures in the marketplace, because without the labels and EPA's public education efforts, consumers would not see the full social benefits of using energy-saving products. Insufficient consumer interest in energy efficiency may compound industry's reluctance to invest in uncertain new technologies.

RELATED OPTIONS: 270-02 and 270-04

300-15—Discretionary

Eliminate the Environmental Protection Agency's Science to Achieve Results Grant Program

						Total	
(Millions of dollars)	2006	2007	2008	2009	2010	2006-2010	2006-2015
Change in Spending							
Budget authority	-90	-92	-94	-97	-99	-472	-1,007
Outlays	-76	-90	-94	-96	-99	-455	-987

Through its Science to Achieve Results (STAR) program, the Environmental Protection Agency (EPA) funds scientific and engineering research relevant to its mission that it lacks the resources to perform internally. Created in 1995, STAR is a competitive, peer-reviewed grant program that accounts for 15 percent to 20 percent of the research budget for EPA's Office of Research and Development, which manages the program. In 2004, the program received $86 million in appropriations. (The level of 2005 appropriations has not yet been finalized by EPA.)

This option would eliminate the STAR program, saving $76 million in outlays in 2006 and $455 million over five years.

STAR provides grants—typically of about $500,000 annually for several years—to leading scientists in the academic and nonprofit research communities. It also funds fellowships for graduate work in environmental sciences, with the aim of strengthening the nation's foundation in that field and attracting a continuing supply of new researchers. Requests for applications for the program are written with the help of EPA staff members who expect to be the primary users of the research. According to an independent report by the National Research Council (NRC), those requests are subjected to an "extensive" internal review before they are issued, which seeks to ensure that they are directed toward the "issues most important to EPA" and are consistent with the agency's strategic plans. Applications submitted in response to the requests undergo a "rigorous" peer-review process, according to the NRC, that is designed to prevent conflicts of interest between proposal review and project oversight. Historically, about 10 percent of fellowship applications and slightly less than 15 percent of grant applications have been funded.

Advocates of canceling the STAR program point to several criticisms contained in an assessment that the Office of Management and Budget conducted for the President's 2005 budget. That assessment concluded that STAR's research in water quality, land use, and wildlife is similar to research conducted by other federal agencies; that the program's coordination with other EPA offices and other agencies is inadequate to ensure that the agencies have access to research findings; that the program has not shown "adequate progress toward achieving long-term goals"; and that the NRC's evaluation of STAR, which was intended to improve program management, was "insufficient in scope" and failed to address the effectiveness and policy relevance of the funded research. Although the NRC's evaluation was generally laudatory, it concluded that EPA makes insufficient use of outside experts in planning STAR's research agenda and that substantial delays often occur between the completion of STAR-funded research and the use of that research in related EPA rulemaking.

Opponents of eliminating STAR cite the NRC's positive evaluation of the importance and intrinsic value of the research funded by the program. That evaluation stated that STAR's size relative to the Office of Research and Development's total research budget is a "reasonable recognition of the value of independent, peer-reviewed research to the agency"; that the program has "established and maintains a high degree of scientific excellence"; and that it helps satisfy EPA's requirement for a "strong and balanced" research program. Moreover, the NRC concluded that the STAR program supports research that is not conducted or funded by other government agencies—particularly research related to ecology, airborne particulates, and pollution prevention—and thus expands the nation's scientific foundations in the areas of human health and the environment.